

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Hart Area Fire Board	County Oceana
Fiscal Year End 6/30/07	Opinion Date 11/19/2007	Date Audit Report Submitted to State 11/21/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

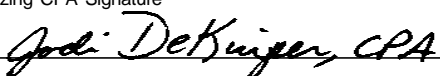
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>	
Other (Describe)		<input checked="" type="checkbox"/>	Internal Control
Certified Public Accountant (Firm Name) Hendon and Slate, P.C.		Telephone Number 231-924-6890	
Street Address 711 W. Main St.		City Fremont	State Zip MI 49412
Authorizing CPA Signature 		Printed Name Jodi DeKuiper	License Number 1101021180

**HART AREA FIRE ADMINISTRATIVE BOARD
OCEANA COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

JUNE 30, 2007

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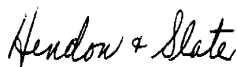
Independent Auditor's Report

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Hart Area Fire Administrative Board, Oceana County, Michigan as of and for the year ended June 30, 2007 as shown on pages 2 and 3, which collectively comprise a portion of the Board's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in the government-wide financial statements for the Board's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Hart Area Fire Administrative Board, as of June 30, 2007 or the changes in its financial position or its cash flows, where applicable, for the year then ended.



Hendon & Slate, PC
Certified Public Accountants
November 19, 2007

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HART AREA FIRE ADMINISTRATIVE BOARD

Governmental Fund Balance Sheet June 30, 2007

	General <u>Fund</u>
ASSETS	
Cash and Equivalents	\$ 285,211
Prepaid Insurance	<u>4,134</u>
Total Assets	<u><u>\$ 289,345</u></u>
LIABILITIES AND FUND EQUITY	
Liabilities	
Accrued Wages	\$ 16,067
Payroll Liabilities	<u>1</u>
Total Liabilities	16,068
Fund Equity	
Fund Balance	<u>273,277</u>
Total Liabilities and Fund Equity	<u><u>\$ 289,345</u></u>

The Notes to the Financial Statement are an integral part of this statement.

HART AREA FIRE ADMINISTRATIVE BOARD

Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance For the Year Ended June 30, 2007

	General <u>Fund</u>
Revenues	
Contributions from Local Units	\$ 159,826
Interest	8,568
Miscellaneous	<u>2,940</u>
Total Revenues	171,334
Expenditures	
Public Safety	<u>106,564</u>
Total Expenditures	<u>106,564</u>
Excess Revenues Over Expenditures	64,770
Fund Balance - Beginning	<u>208,507</u>
Fund Balance - Ending	<u><u>\$ 273,277</u></u>

The Notes to the Financial Statement are an integral part of this statement.

HART AREA FIRE ADMINISTRATIVE BOARD

Notes to the Financial Statements

March 31, 2007

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. **Reporting Entity.** The entity is organized as an Administrative Board for the Hart Fire Department whose purpose is to provide fire protection for the City of Hart and the Townships of Golden, Hart, and Weare. The Fire Administrative Board's membership is comprised of representation from the participating governmental units. Each unit involved contributes an amount based on its State Taxable Valuation

The financial statements include all activities of the Fire Administrative Board. There are no governmental departments, agencies, institutions, commissions, public authorities or organizations within the Board, over which its elected officials may exercise oversight responsibility, that have been excluded. Oversight responsibility is considered to be derived from the Board's power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Also, using the same criteria above, the Fire Administrative Board's financial statements include the accounts of all Board operations.

2. **Measurement Focus, Basis of Accounting and Financial Statement Presentation.** Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Contributions from local units and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

3. Assets, Liabilities, and Fund Balance

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as “due to/from other funds”. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds”.

Inventories and Prepaid Items - Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories at year-end.

Fund Balance - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

4. Budgets and Budgetary Accounting. The General Fund is under formal budgetary control. The budget shown in the financial statements for this fund was prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consists only of those amounts contained in the formal budget approved and amended by the Board.

In the body of the financial statements, the Board's actual expenditures has been shown on a functional basis. The approved budgets for this budgetary fund was adopted at the line-item level.

5. Economic Dependency. Based on current fire protection agreements, the majority of the Board's financing comes in the form of special assessments from four local units of government. The assessment is paid in installments by the participating units over the Board's fiscal year.

6. Encumbrance Accounting. The Fire Administrative Board does not use encumbrance accounting.
7. Estimates. Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures/expenses. Actual results could differ from those estimates.

NOTE B DEPOSITS AND INVESTMENTS

Legal Provisions for Deposits and Investments - The Investment of Surplus Funds of Political Subdivisions Act No. 20, Public Acts of 1943, as amended through December 31, 1997, state the Township, by resolution may authorize the Treasurer to invest surplus finds in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of the United States banks
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating
- g. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 801-3 and 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:

1. The purchase of securities on a when-issued or delayed delivery basis.
 2. The ability to lend portfolio securities as long as the mutual fund receives collateral all times equal to at least 100% of the securities
 3. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation's Act of 1967, 1967 (Es Sess) PA7 MCL 124.501 to 124.512.

- i. Investment pools organized under the surplus Funds investment Pool Act, 1982 PA 367, 129.111 to 129.118
- j. The investment pools organized under the Local government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Investments are normally categorized to give an indication of the level of risk assumed by the Board; however, money market funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above. Deposits are carried at cost. Cash deposits of the Board are in one financial institution: Huntington National Bank. These accounts are in the Board's own name.

The Board's deposits are in accordance with statutory authority as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
Checking	\$ 167,088	\$ 130,127
Time Deposit - Huntington CD's	<u>118,123</u>	<u>118,123</u>
Total	285,211	248,250
FDIC Insured		\$ 200,000
Uninsured		48,250

The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits.

NOTE C CAPITAL ASSETS

Management has not presented government-wide financial statements, and thus, neither capital assets nor the related depreciation and accumulated depreciation are reported.

NOTE D RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; and natural disasters for which the Authority carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

HART AREA FIRE ADMINISTRATIVE BOARD

Budgetary Comparison Schedule For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues				
Contributions from Local Units				
City of Hart	\$ 31,374	\$ 31,374	\$ 31,374	\$ -
Golden Township	70,792	70,792	70,792	-
Hart Township	38,425	38,425	38,425	-
Weare Township	19,235	19,235	19,235	-
Interest Revenue	-	-	8,568	8,568
Miscellaneous Revenue	-	-	2,940	2,940
	<u>159,826</u>	<u>159,826</u>	<u>171,334</u>	<u>11,508</u>
Total Revenues	159,826	159,826	171,334	11,508
Expenditures - Public Safety				
Salaries				
Administration	3,000	3,000	1,035	1,965
Firemen	37,000	39,155	39,155	-
Payroll Taxes	4,000	4,000	3,007	993
Administrative Expense	6,000	6,000	4,620	1,380
Supplies				
Telephone	2,000	2,000	1,086	914
Gas and Oil	3,500	3,500	2,798	702
Insurance	17,100	18,341	20,018	(1,677)
Utilities	6,000	6,000	4,570	1,430
Purchases and Maintenance				
Truck	19,226	12,172	9,810	2,362
Radio	1,500	5,158	5,158	-
Building	5,000	5,000	3,409	1,591
Equipment	20,000	20,000	11,163	8,837
Miscellaneous	2,000	2,000	735	1,265
Capital Improvements	2,000	2,000	-	2,000
	<u>128,326</u>	<u>128,326</u>	<u>106,564</u>	<u>21,762</u>
Total Expenditures	128,326	128,326	106,564	21,762
Excess Revenues (Expenditures)	<u>\$ 31,500</u>	<u>\$ 31,500</u>	64,770	<u>\$ 33,270</u>
Fund Balance - Beginning of Year			<u>208,507</u>	
Fund Balance - End of Year			<u>\$ 273,277</u>	

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

November 19, 2007

Hart Area Fire Administrative Board
PO Box 125
Hart, Michigan 49420

Dear Board Members:

We would like to thank you for the opportunity to provide our auditing services. It was again a pleasure working with the members of Hart Area Fire Administrative Board during the audit engagement.

A recent change in auditing standards (SAS 112 – *Communicating Internal Control Related Matters Identified in an Audit*) now requires that we provide a new letter, which we have included, that focuses on the internal controls over financial reporting.

In addition to the letter referenced above, we also reviewed the Board's accounting procedures as of and for the year ended March 31, 2007, and offer the following comments and recommendations:

Books and Records

We would again like to commend the treasurer on the condition of the books and records. We found them in excellent condition and needed only to make a few minor year end adjustments.

Budgeting

The Board has done a great job with budgeting and making amendments when necessary. We discovered only one line item to be over-budget, which was for the Insurance Expense and was not material to the financial statements. As a reminder, the State recommends that when preparing the budget for any given year that the Board is provided the most recent two years actual revenues and expenditures. For example, when budgeting for the 2007-2008 fiscal year, the 05-06/06-07 actual revenues and expenditures reports should be at the budget meeting for reference.

Chart of Accounts

The Michigan Department of Treasury issued an updated Uniform Chart of Accounts for Counties and Local Units of Government in 2002. Although the Board is properly recording the transactions and budgets, account numbers are not being used. We recommend that the Board review the enclosed updated Uniform Chart of Accounts and make the necessary changes. We would be happy to assist with this recommendation.

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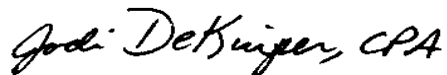
GASB 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments

As you know, the Administrative Board elected not to fully adopt GASB 34 financial statements. Our opinion on the audited financial statements has again been modified to a disclaimer opinion indicating the financial statements are not reported in accordance with accounting principles generally accepted in the United States.

The State has rescinded MCGAA Statement No. 7 in its entirety which allowed local units to not fully adopt GASB 34. This now makes it mandatory for entities to adopt the GASB 34 requirements, by requiring the governmental -wide statements as well as the Management's Discussion and Analysis (MD&A) and certain infrastructure information. The Board needs to elect full implementation of GASB 34 next fiscal year; the department's fixed assets would need to be accounted for at original or estimated original purchase price or fair market value on date of receipt if donated. In addition, these assets would need to be depreciated over the estimated expected life of the assets. The department also will need to draft a Management's Discussion and Analysis prepared by the Fire Board's management. This is included in the audited financial statement package. We would be glad to assist you in any questions that you have for GASB 34.

We would be happy to assist the Board with the implementation of any of the above recommendation s. Please feel free to contact our office for such assistance. Also, thank you for the courtesy extended to us during our audit. We look forward to a continued relationship with the Hart Area Fire Administrative Board. If you have any questions regarding the audit report, this letter or any other communication, please do not hesitate to call.

Respectfully submitted,

A handwritten signature in black ink that reads "Jodi DeKuiper, CPA". The signature is written in a cursive, flowing style.

Jodi DeKuiper, CPA
Hendon & Slate, P.C.

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Board Members,
Hart Are Fire Administrative Board
Oceana County,
Hart, MI

In planning and performing our audit of the financial statements of Hart Area Fire Administrative Board as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Hart Area Fire Administrative Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Hart Area Fire Administrative Board's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies .

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

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Anti-Fraud Program

The Board has not adopted an Anti-Fraud Program (such as the attached standards of ethics and conduct) as required by SAS 99.

Controls over the Selection and Application of Accounting Principles that are in Conformity with Generally Accepted Accounting Principles

The Board currently does not have personnel available with sufficient expertise to select and apply the accounting principles necessary to prepare the financial statements and note disclosures contained in the audit report.

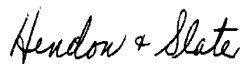
A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

Controls over Financial Statement Preparation

Hart Area Fire Administration Board's internal controls would not prevent or detect a material misstatement in the financial statements.

This communication is intended solely for the information and use of management, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Hendon & Slate, P.C.
Certified Public Accountants
November 19, 2007